

Message Text

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SUBJ: CIVAIR; TWO IRISH GOVERNMENT AGENCIES DISCUSS CHARTERS

1. FORMAL DISCUSSIONS HAVE BEEN OPENED BETWEEN THE IRISH TOURIST BOARD (BORD FAILTE) AND AER LINGUS OVER THE QUESTION OF SCHEDULED VERSUS CHARTER SERVICES TO IRELAND. THESE TWO IRISH GOVERNMENT AGENCIES, BOTH OF WHICH REPORT TO THE MINISTER FOR TRANSPORT AND POWER, HAVE STRONGLY OPPOSING VIEWS ON THIS ISSUE. BORD FAILTE, ON THE ONE HAND, FAVORS A MORE LIBERAL CHARTER POLICY THAT WOULD ATTRACT THE MAXIMUM NUMBER OF TOURISTS TO IRELAND. AER LINGUS, ON THE OTHER HAND, WANTS A MORE RESTRICTIVE APPROACH THAT WOULD CHANNEL THE MAXIMUM NUMBER OF PASSENGERS TO ITS SCHEDULED SERVICES. EACH ORGANIZATION CLAIMS IT IS ACTING IN THE NATIONAL INTEREST.

2. AER LINGUS HAS LOST APPROXIMATELY 10 MILLION POUNDS ON ITS NORTH ATLANTIC OPERATIONS IN THE LAST TWO YEARS ALONE, AND IT IS PARTICULARLY SENSITIVE TO CHARTER COMPETITION FROM SUPPLEMENTAL CARRIERS. AER LINGUS OFFICIALS HAVE CONSISTENTLY COMPLAINED TO THE PRESS ABOUT "CUTPRICE" CHARTER OPERATIONS TO IRELAND. THE AIRLINE INSISTS THAT SUFFICIENT SCHEDULED AND CHARTER CAPACITY IS ALREADY PROVIDED BY ITSELF, TWA, PAN AMERICAN, AND AIR CANADA, AND IT HAS ATTEMPTED TO ELIMINATE COMPETITION FROM THE SUPPLEMENTALS.

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EARLIER THIS YEAR AER LINGUS SUCCEEDED IN HAVING THE OPERATIONS

TO IRELAND BY AIR QUEBEC RESTRICTED.

3. BORD FAILTE SUPPORTS ANYTHING WITHIN REASON THAT MIGHT BRING MORE TOURISTS TO IRELAND. THIS VIEWPOINT IS SHARED BY THE NATIONAL TOURISM COUNCIL, THE HOTELS FEDERATION, THE CAR RENTAL ASSOCIATION AND OTHERS. THESE ORGANIZATIONS CLAIM THAT 70 PERCENT OF AER LINGUS PASSENGERS ARE HOLIDAY TRAVELLERS AND CONTEND THAT AER LINGUS ITSELF SHOULD CONVERT TO A CHARTER AIRLINE WITH RESPECT TO ITS NORTH ATLANTIC SERVICES.

4. COMMENT: WHILE IT MAY BE TRUE THAT CHARTERS OPERATED BY SUPPLEMENTAL CARRIERS DIVERT SOME TRAFFIC FROM SCHEDULE SERVICES, IT IS NOT CLEAR THAT FURTHER RESTRICTIONS OR ELIMINATION OF SUPPLEMENTALS WOULD MATERIALLY IMPROVE AER LINGUS' EARNINGS ON THE NORTH ATLANTIC. NEVERTHELESS, THERE IS NO DOUBT THAT AER LINGUS WILL CONTINUE ITS ATTEMPTS TO ELIMINATE THE SUPPLEMENTALS AS WELL AS TO RESTRICT CHARTER OPERATIONS IN GENERAL. AER LINGUS' PREOCCUPATION WITH THE THREAT OF CHARTERS TO ITS SCHEDULED SERVICES IS NOT LIKELY TO CHANGE AND WILL REMAIN A FACTOR IN NEGOTIATIONS OF AGREEMENTS SUCH AS THE US/IRELAND MEMORANDUM OF UNDERSTANDING WHICH IS TO EXPIRE THIS YEAR.

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